

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on February 3, 1999
at 4:36 P.M., in Room 108 Capitol.

ROLL CALL

Members Present:

Sen. Chuck Swysgood, Chairman (R)
Sen. Tom Keating, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Eve Franklin (D)
Sen. Greg Jergeson (D)
Sen. Bob Keenan (R)
Sen. Dale Mahlum (R)
Sen. Ken Mesaros (R)
Sen. Ken Miller (R)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Mike Taylor (R)
Sen. Mignon Waterman (D)

Members Excused: Sen. Chris Christiaens (D)
Sen. William Crismore (R)
Sen. J.D. Lynch (D)
Sen. Daryl Toews (R)

Members Absent: None.

Staff Present: Shannon Gleason, Committee Secretary
Clayton Schenck, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 298 1/26/1999 SB 301,
1/26/1999

Executive Action:

Sponsor: SEN. TOM KEATING, SD 5, BILLINGS

Proponents: Gail Aburcrombe, MT. Petroleum Association
Tom Richmond, Board of Oil and Gas
Patrick Montelba, Lobbyist, MT. Oil and Gas
Association

Opponents: John Tubbs, Department of Natural Resources

Opening Statement by Sponsor:

SEN. TOM KEATING passed out **EXHIBIT(fcs27a01)**, and advised this bill deals with column two, the reclamation and development account. This account is currently operated under the Department of Natural Resources (DNRC), and anyone seeking funding under this account makes application via grant. SEN. KEATING advised the reclamation and development account is used primarily for plugging of orphan oil and gas wells, and the remediation of old mining claims. SEN. KEATING explained the Board of Oil and Gas and the Department of Environmental Quality (DEQ) must each write grants for funds from the DNRC. The grants are then reviewed and prioritized by the DNRC. HB7 is then created and submitted to the Legislature. SEN. KEATING advised he felt this was a duplication of effort and a waste of money and what bill does is eliminate the grant funding process by taking the DNRC out of the process, allowing the Board of Oil and Gas and the DEQ to come directly to the Legislature through HB2 to receive appropriations for the function each entity is required to perform. SEN. KEATING noted the Board of Oil and Gas and the DEQ are government agencies with expertise in their area and the DNRC does not have any expertise, they simply administer the account. SEN. KEATING stated this causes a duplication of work and wasted money because each department must write and review grants. SEN. KEATING noted people receiving grants are not allowed to take administration costs out of the grant money, however the DNRC does recover administration costs from the fund. SEN. KEATING reiterated this bill reduces government, allows agencies to do the job they were set up to do, and saves time and money on administration. SEN. KEATING reviewed the sections of the bill, noted the word grant had been replaced with fund, and requested the effective date be 2001 as to not effect this biennium.

{{Tape : 1; Side : A; Approx. Time Counter : 4:46}}

Proponents' Testimony:

Gail Aburcrombe, Mt. Petroleum Association, rose in support of the bill and felt the Board of Oil and Gas should be allowed to oversee the funds.

Tom Richmond, Board of Oil and Gas, distributed **EXHIBIT(fcs27a02)** and **EXHIBIT(fcs27a03)**. **Mr. Richmond** explained the ranking process of projects and noted approximately 140 wells have been plugged in 10 years. **Mr. Richmond** stated there is a set schedule for the board for the next several years regardless of the funding source.

Patrick Montelba, Lobbyist, stated he represented several small independents throughout the state. **Mr. Montelba** advised the committee the bill was supported with the amendment, he also noted his constituents felt the funds in the Resource Indemnity Trust (**RIT**) should be used for reclamation only.

Opponents' Testimony:

John Tubbs, DNRC, read **EXHIBIT(fcs27a04)**. **Mr. Tubbs** noted the Department of Environmental Quality (**DEQ**) receives administration costs from Federal funds, and the reason the Board does not receive administration cost is that requirements prohibit grant recipients to use the grant money for administration costs.

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Informational Testimony:

Curt Chisholm, **DEQ**, pointed out a flaw in the bill on page 11 line 1, and noted what this allows the Legislature to do is fund oil and gas projects, mine reclamation and mitigation projects proposed by the **DEQ** out of the grant account, and what it does not allow is the funding of base operational programs for the open cut, hard rock, coal and uranium mining projects. These projects cost the state approximately \$2,400,000.00 a biennium.

Mr. Chisholm noted these projects have been funded in the past by these grants and in speaking with **SEN. KEATING** it was not his intent to exclude them. **Mr. Chisholm** offered a proposed amendment, **EXHIBIT(fcs27a05)**.

Questions from Committee Members and Responses: None

Closing by Sponsor:

SEN. KEATING stated the opposition pointed out why this bill was in here in that **HB 7** is full of personal preferences and politics. **SEN. KEATING** added he was trying to avoid some of these politics in distribution of the **RIT** monies eliminate duplication and wasted effort. **SEN. KEATING** stated there are approximately \$15,000,000.00 per biennium in earned income and another \$2,000,000.00 from taxes that is the Legislatures obligation to appropriate. **SEN. KEATING** noted the Legislature is in violation

of it's own rules by allowing **HB 7** because some of the grants funded are not eligible under the statutes. **SEN. KEATING** added the **RIT** is increasing and someone needs to scrutinize the money. **SEN. KEATING** noted the Long Range Planning Committee is responsible to account for a lot of money and consists of only 6 of the 150 house members, the rest of the house members do not track the expenditure as should be. **SEN. KEATING** noted this bill will rearrange the accounts and allow the Legislature to review the appropriations.

HEARING ON SB 301

Sponsor: **SEN. TOM KEATING, SD 5, BILLINGS**
{Tape : 1; Side : A; Approx. Time Counter : 5.03}}

Proponents: None

Opponents: **Mike Rao,** Chancellor, Montana State University
Terry Minow, MT. Federation of Teachers
REP. TONI HAGENER, HD 90, HAVRE
Cathy Conover, Montana State University
Jake Ankeny, Montana State University Students

Opening Statement by Sponsor:

SEN. KEATING advised the reason for **SB 301** was to eliminate the statutory appropriation language from code. **SEN. KEATING** explained he supports the appropriation of \$240,000 for the Montana State University-Northern (MSU-NORTHERN) to repay a equipment loan, but noted the debt will be paid in 2005 and he did not support appropriations past that date. **SEN. KEATING** added there was no sunset on the appropriation and there was no terminology to remove it once the debt was paid. **SEN. KEATING** noted an error on page 1, Section 2. and all that was to be removed was the \$240,000. **SEN. KEATING** noted the bill would have to be amended.

Opponents' Testimony:

Mike Rao, MSU-Northern, advised the current verbiage of this bill does not provide for a long term statutory commitment and felt this was a very important program and an education investment. **Mr. Rao** advised these monies funds water quality education, research, and matched Montana Environmental Training Center that was a part of MSU-Northern. **Mr. Rao** noted the university is currently trying to expand the program and that would be a long term commitment he felt would benefit the state and the Board of

Oil and Gas. **Mr. Rao** explained the equipment being financed was unique to the state and the schools commitment to staff and students is long term. **Mr. Rao** noted MSU-Northern does not receive funds from the land grants as the other five colleges do, and this is the only funding source for this program. **Mr. Rao** commented he expects this money to have a return to the state through employment of graduates and water testing. **Mr. Rao** advised the committee if this money was cut 10 faculty members would be effected.

Terry Minow, MT. Federation of Teachers, advised they opposed the bill as written and thought **Mr. Rao** had correctly explained the reasoning to keep the monies appropriated.

Reno Parker, MSU-Northern, advised the committee he was head of the department using this money, **Mr. Parker** handed out **EXHIBIT (fcs27a06)**, and advised the committee this was informational and explained his department. The Water Quality and Environmental Health program is unique in Montana. There are approximately 2,000 public water systems in Montana that will have to hire out of state operators if people can not be trained in Montana. **Mr. Parker** added 100% of the graduates could find employment in Montana. **Mr. Parker** stressed he felt his department contained one of the best water quality labs in the state and probably the western United States.

REP. TONI HAGENER, HD 90, HAVRE, advised the committee she had been affiliated with MSU-Northern for approximately 50 years, and was a former lab technician. **REP. HAGENER** urged the committee to not pass this bill as it effected the only water quality education lab in the state. **REP. HAGENER** added water is a essential resource to all forms of life and safety of our water is very important and this was an appropriate use of this money. **REP. HAGENER** noted this program is also had a Job Training Center.

Cathy Conover, MSU, requested the committee do not support this bill and referred to the recent university budget cuts, and noted \$240,000 of this money supports a viable program.

{Tape : 1; Side : B; Approx. Time Counter : 5:15}

Jay Ankney, MSU Students, advised this bill would have a negative impact on MSU-Northern in both the long and short term. **Mr. Ankey** noted the cut would effect staff and students and thought this program provided a necessary and adequate program.

Questions from Committee Members and Responses:

SEN. MOHL asked if the bill did not pass would the negative figure on the General Fund go away, **SEN. KEATING** advised in either case there would be impact on the General Fund.

SEN. MAHLUM wondered why on page 5 it stated termination upon the death of the recipient, **SEN. MAHLUM** was advised the law calls for the verbiage.

SEN. BECK asked why a sunset was just not added, **SEN. KEATING** advised he was trying to bring attention to the statutory appropriations in the **RIT**.

SEN. BECK stated this is already a commitment and he felt a sunset should be added and in 2006 this be reviewed as a temporary appropriation.

SEN. MILLER wondered if the language changed how this money would be funded. **SEN. KEATING** thought it would come under **HB 2** as a statutory appropriation.

CHAIRMAN SWYSGOOD asked what the \$240,000 was used for. **Mr. Rao** advised the committee the money was used to pay back bonds and fund faculty. **SEN. MILLER** wanted clarification of the number of faculty and students effected. **Mr. Rao** stated there were two permanent faculty members in the program but if funding was not allowed there would have to be cuts in other departments to repay the bonds and that would effect eight other staff members.

CHAIRMAN SWYSGOOD clarified with **SEN. KEATING** his intend was not to eliminate the funding until the bonds were paid, just put a stop to the money being automatically funded after the bonds were paid. **SEN. KEATING** concurred that was the intent. **CHAIRMAN SWYSGOOD** stated the wording would have to be changed because the bill does not read that way, **SEN. KEATING** concurred and added if the words "which is statutorily appropriated in 17.7.502" were struck and left the rest of the paragraph it would work. **CHAIRMAN SWYSGOOD** asked **Clayton Schenck**, Legislative Fiscal Analyst, to clarify that is correct, and added most bonds are represented to the holders as guaranteed both **CHAIRMAN SWYSGOOD** and **SEN. KEATING** acknowledged if the revenue was not guaranteed the bond holders would be nervous.

SEN. SHEA wanted clarification on the number of students effected. **Mr. RAO** indicated there are four core sections in each semester and there are approximately 20-40 students in each core section in addition to the biology and ecology majors in the program. **SEN. SHEA** noted it was difficult to plan curriculum for

a degree without knowing if the program was going to continue.

Mr. Rao noted the obligation to repay the bonds would be satisfied one way or another, and noted there is also a commitment to the students in the program.

SEN. BECK wanted clarification on the 11 employees **Mr. Rao** said he would have to layoff. **Mr. Rao** advised the 11 members would be a result of having to go back into the schools budget and allocate the money from other departments to pay off the bonds.

SEN. JERGESON advised the committee he had a conflict of interest as he was associated with MSU-Northern. *{Tape : 1; Side : B; Approx. Time Counter : 5:30}*

Closing by Sponsor:

SEN. KEATING advised he did not care if the bill was tabled or a sunset added, his purpose was to draw attention to how important it was to know the policies, purpose, and objective of the **RIT**.

SEN. KEATING noted there was \$20,000,000.00 in the trust for distribution and it should not be a slush fund for governmental agencies. **SEN. KEATING** noted this was true for both bills, and these bills could be used for redirection in the next biennium, as the **RIT** money should be used for the purpose it was taxed.

ADJOURNMENT

Adjournment: 5:30 P.M.

SEN. CHUCK SWYSGOOD, Chairman

SHANNON GLEASON, Secretary

CS/SG

EXHIBIT (fcs27aad)